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ABSTRACT

This report is one of a series of statements relating to the Oregon Board of Education priorities for Oregon education. It first identifies the factors contributing to the financial problem and then proposes activities to (1) simplify the structure by which education finance operates, (2) stabilize financing of the education program, (3) systematize the management of the State's educational system, (4) stretch the available education dollars, and (5) support identification and use of additional sources of State level revenue. (Author/JF)

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SYSTEM SEVENTIES

A Statement on Improving the Financing and Management of Oregon Schools and Community Colleges

One of a series of statements relating to the Oregon Board of Education's priorities for Oregon education.

EA 004 087

OREGON BOARD OF EDUCATION PRIORITIES FOR MANAGEMENT BY OBJECTIVES

INSTRUCTION-RELATED PRIORITIES	BROAD OBJECTIVES
PRIMARY EDUCATION DEVELOPMENT	Assure that each young person can read, write, and compute to the best of his ability during the primary grades.
IMPROVE EDUCATION FOR THE DISADVANTAGED	Expand and strengthen services and learning experiences available to children and youth who are economically or culturally disadvantaged to assure them equal access to all educational opportunities.
ADDING THE FOURTH "R" – RESPONSIBILITY	Develop students who possess a desire for and can exhibit competence in personal and group responsibility in the critical areas of education, politics and civic affairs, business and economics, civil rights, international relations, and environmental ecology; help students acquire moral values which will enable them to function effectively in independent and cooperative activities.
CAREER EDUCATION DEVELOPMENT	Make available to eleventh and twelfth graders in Oregon a career education program based on the occupational cluster concept; assure that broad diverse opportunities are available for students to enroll in specific occupational training programs in Oregon's community colleges and approved private vocational schools; provide occupational guidance services to all students, and exploratory occupational programs, grades 7 through 10.
EXTENDING EDUCATIONAL OPPORTUNITY	Make available to each student a planned program under school supervision with completion of a full secondary program by each student as the goal; determine the feasibility of a 12-month school; study the applicability in 1970 of the compulsory school attendance law; and review current high school graduation requirements in terms of their effectiveness in meeting individual student needs.

MANAGEMENT-RELATED PRIORITIES	BROAD OBJECTIVES
IMPROVE FINANCE STRUCTURES	Increase the financial stability of school districts. Simplify and build more predictability into financial structure; strengthen the capabilities of local boards to operate schools and community colleges.
CLOSE THE COMMUNICATION GAP	Assist local school districts and community colleges to build public understanding and support of instructional programs and devise means of involving the public in decision-making.
IMPROVE TEACHER EDUCATION AND CERTIFICATION	Assure that Oregon teachers are qualified through training, experience, and competence for the responsibilities they hold; place greater stress on the "performance" factor in teacher education and certification. Develop a master plan on personnel recruitment, training, certification, staffing patterns, and ethical practices.
EDUCATIONAL PROGRAM AUDITS	Establish a system of accountability to be used by school districts in determining the extent to which measurable objectives are being achieved.
IMPROVE MANAGEMENT OF SCHOOLS AND COMMUNITY COLLEGES	Continue efforts to organize local and intermediate districts into more effective and economical administrative units; strengthen state-level consultation on construction programs; consider for implementation the Feasibility Study Panel recommendations relating to the Business Task Force Report on Education; assist school districts and community colleges in developing planning, programming, budgeting systems.
DEVELOP COMMUNITY COLLEGE MASTER PLAN	Extend community college opportunities to all citizens of this state through development and implementation of a master plan that delineates the role and function of community colleges, provides for the allocation of programs, includes a specific code of law, encourages interstate cooperation, provides for articulation between two- and four-year colleges, and defines long-range goals for community college development.

SUPERINTENDENT OF PUBLIC INSTRUCTION
DALE PARNELL

SALEM, OREGON 97310

October 15, 1970

LETTER OF TRANSMITTAL

Mr. Richard Deich, Chairman
State Board of Education
942 Lancaster Drive N.E.
Salem, Oregon 97310

Dear Mr. Deich:

We transmit with this letter the third in a series of position statements for consideration by the Oregon Board of Education. This paper presents recommendations for improving the management and financing of Oregon schools and community colleges.

Recurring crises in school finance have emerged as one of the most crucial problems facing Oregon citizens and their leaders at local and state levels. This year, 505 elections were required to provide an operating tax levy for 334 school districts and community colleges.

The 1971 Legislative Assembly will be challenged to provide answers to the problems of financing education in Oregon. Citizens need to be informed as to the full extent of the problems involved in the management of education so that all Oregonians may share in the consideration of proposed solutions. This paper concisely outlines the problems and proposes some solutions. It is a blueprint for action which can be effective through the cooperative efforts of responsible citizens and officials throughout the state.

Commendation is due Mr. Vern Osborn, Associate Superintendent for Management Services, and a team of Oregon Board of Education staff members who brought their years of experience in administration and research to the preparation of this paper. Mr. Jesse Fasold, Deputy Superintendent; Dr. Leo Myers, Assistant Superintendent, Institute for Educational Engineering; Mr. Edward Sanford, Director, Fiscal Services; Mr. Lloyd Thomas, Coordinator for School Finance and Statistical Services and Mrs. Jan Clemmer, Research Analyst, all merit special recognition.

Cordially,

Dale Parnell

Dale Parnell
Superintendent
Public Instruction

DP:js

Vernon H. Osborn, Associate Superintendent for Management Services, is a money-manager and systems man of long experience. He holds a bachelor's degree in commercial science, a master's degree in business administration, and has taken post-graduate training in advanced management techniques, psychology, motivation, work simplification, and productivity science. He has extensive experience in budgetary administration and system design, and is nationally recognized as an authority in the field. Mr. Osborn has served as international director of the Association for Systems Management and president of the State Fiscal Officers Association. Before joining the Oregon Board of Education, he was assistant professor and business manager for the crippled children's division of the University of Oregon Medical School.

SYSTEM SEVENTIES

A Statement on Improving the Financing and Management of Oregon Schools and Community Colleges

By Vernon H. Osborn
Associate Superintendent for Management Services and Program Support
Oregon Board of Education

SYSTEM SEVENTIES

The truly significant considerations in education concern themselves with what and how students learn, the teaching techniques employed, and the preparation of those who teach. Unfortunately, these are being overshadowed by the problems of finance and related management issues for school districts and community colleges.

The financial problem has been emerging over a period of years and now constitutes the number one educational problem. It is also the number one financial problem confronting the state. If the present method of financing schools is continued, some school districts may be forced to curtail programs severely or operate only a portion of the year.

It is becoming increasingly difficult for Oregon school districts to secure voter approval of operating levies. One year ago, in preparation for the 1969-70 school year, 337 school districts held elections for budget approval. Of that number, 241 were approved on the first vote, 46 districts voted twice, 39 three times, 10 four times, and one five times. The school year started before some districts secured budget approval. This meant that some schools opened with no assurance that they could operate longer than one or two months. Preliminary figures for the 1970-71 school year show that of 334 school districts holding budget elections, 221 were approved on the first vote, 71 districts voted twice, 29 three times, 10 four times, and three five times.

Most Oregonians have been made aware through the news media that schools face a serious financial problem. But few fully understand the nature or severity of the problem. We face a situation in which the entire financial framework of Oregon's educational system needs review. From such a review there must evolve widespread understanding of the school finance problem, positive suggestions as to means of correcting it, and public acceptance of the changes proposed.

PROBLEM

Of the many factors contributing to the problem, the following six seem most critical:

1. **Lack of a simplified and coordinated school finance structure.** The schools of the state are financed from a variety of revenue sources – some local, some intermediate, some state, and some federal. Revenue from the major intermediate and state sources is distributed according to different criteria. Due to lack of agreement as to what these distributions are to accomplish, the state permits several distribution systems that are complicated and often conflicting. Lack of a coordinated school finance structure is the most serious complication in the school finance problem.

   School finance is an extremely complex matter. For example, there is the problem of *guessing* in February and March the amount of resources for the next fiscal year. This involves such things as:

   a. Guessing the total assessed value of all property in a school district – reassessment programs and farm tax deferrals notwithstanding.
   b. Guessing the cash on hand on July 1.
   c. Guessing the amount of federal funds to be received. In 1969-70, no school district knew the amount of federal funds available until April – some nine months after the start of the school year.
   d. Guessing the amount of taxes to be levied and not collected in the next fiscal year.
   e. Guessing the amount of forest fees and other miscellaneous revenues.
   f. Guessing the Basic School Support Fund allocation from the state. This is particularly hazardous during a year in which the Legislative Assembly meets. It is also greatly complicated by changes in property values and the consequent changes in the relative wealth of each district to support the education of students.

   Another example of the complexity is the practice, required in most counties, of voting on a levy for an intermediate education district which will be used to offset local levies already voted on by voters in individual districts. To illustrate, here is an example of the ballot title the citizen must consider when he votes:

   IED BALLOT TITLE

   "Shall the Directors of the Intermediate Education District, _____ County, Oregon, be authorized to levy during the year 1970-71, the sum of $11,929,865.28 outside the limitation set forth in the Oregon Constitution to provide tax

offset funds for apportionment to and to equalize the tax levy among all school districts within _____County, Oregon?

"The rate of levy necessary to produce the tax offset amount is estimated at $7 per thousand dollars of true cash value of taxable property within the district. The levy is not in addition to the local school levy."

To say the least, such language and procedures are confusing to the voter.

2. **Need for school district reorganization.** School district organization in Oregon is unnecessarily complex and expensive. At the present time, there are 179 unified districts operating programs for grades 1-12. There are 140 elementary districts – some operating a six-year program, some an eight-year program; 27 union high districts – some operating four-year programs, some six-year programs; and four county unit districts. There are 29 intermediate education districts – 25 of which operate under one law and four which remain rural school districts operating under the provisions of another law. Oregon school law is cluttered with special statutes designed to accommodate each type of district organization.

   As districts are organized today, the cost of education varies widely. In 1968-69 current expenditures per pupil ranged from $441.17 to $7,187.58. The state average was $715.90. Further, during 1969-70, the true cash value per pupil ranged from $8,711 in the poorest district (with 147 students) to $1,248,444 in the wealthiest district (with two students).

   The major importance of this problem in education was emphasized in the Business Task Force Report on management practices in March 1969. This study stated:

   "Efforts directed at more efficient operations of Oregon's school system must start with the reorganization of the basic school structure of the state. This study was conducted with non-instructional practices and procedures as its prime concern. However, it has also revealed that the most important benefits to be gained from reorganization are in the area of improved educational opportunities."

3. **Need to stretch the dollars by improving management systems.** One of the top management priorities of the Oregon Board of Education is to develop means of stretching education dollars by improving management of schools and community colleges. Urgent needs include management studies, systematized business management, uniform data processing systems, improved purchasing systems, and a system of accountability for performance in educational programs. It is necessary to set goals and objectives and to measure performance to justify funds for educational programs. It is equally necessary to liberate administrators from the tyranny of small decisions by enabling them to make long-range plans based on the "big picture" as delineated by those goals and objectives.

   The Business Task Force Report stated: "For maximum effectiveness, systems must be formulated, documented, and integrated to produce desired results with minimum expenditure of effort and costs in a manner consistent with available resources. . . . No provision has been made for uniform business systems for the state's 356* school districts. As a result, there is a lack of uniformity in systems, form design, and statistical information." The Report recommended that the State Department of Education provide a flexible model system applicable to all school districts.

   A performance-criteria approach to writing educational proposals promises greater economy in the allocation of education resources. Educational objectives based on predictable, measurable student performance would offer a much-needed basis for measuring program cost against program effectiveness. Such cost accounting would promote more effective allocation of existing resources among competing programs.

   Essential to accomplishment of these goals are efforts to demonstrate the value of improved practices to administrators and citizens in order to earn their cooperation in making the proposed changes.

4. **Inability of local districts to perform good long-range planning.** A tax base once approved by the taxpayers establishes a dollar amount of property tax that a school board may levy annually without additional voter approval – and, by constitutional limitation, a tax base may be increased no more than six percent a year. At present, less than five percent of the school districts of the state have an adequate tax base. Most districts lack taxing authority for operating purposes except as each levy is approved annually by the voters. Oregon has 196 districts that have no tax base and must go to the voters for their entire budget each year. An example to illustrate this problem is an actual district faced with the following situation:

*New total as of June 30, 1970, is 350.

Total General Fund Requirements	$3,202,000
Less Resources Other Than Taxes	697,000
General Fund Taxes to be Levied	$2,505,000
Tax Base Within 6% Limitation	21,011
Levy to be Voted on	$2,483,989

In this case the district with a tax base of $21,011 must request voters to approve an additional levy of $2,483,989 to balance the proposed budget. Here is the confusing question the citizen must consider when he enters the polling booth:

"Shall the Board of Directors of School District No.___ , _____ County, Oregon, be authorized to levy for the fiscal year 19__-__ the sum of $2,483,989 in excess of the limitation set forth in Section 11, Article XI of the Oregon Constitution for the purpose of funding school district operation because the existing tax levy limitation will not produce sufficient funds to operate at state standards for the full school year."

Since the school districts must go to the citizens for approval of their tax levies annually, and since approximately one-third of the tax levies are defeated at least once, it is virtually impossible for administrators at the local level to do the planning which is vital to good management.

5. **Excessive reliance on the property tax.** Oregon schools are heavily dependent upon the property tax. Approximately 72 percent of elementary and secondary school operating expenditures are derived from local property taxes, 23 percent from state funds, and five percent from federal funds. In 1969-70 the tax rates varied in districts throughout the state for the support of schools from a low of $4.09 per $1,000 of true cash value to a high of $31.67. This means that some districts are making eight times the property tax effort to support their schools as are other districts. In addition to schools, property serves as a major revenue source for many other local and intermediate governmental units. As demands of all such taxing agencies upon property are becoming greater, there is a corresponding increase in voter resistance. School districts and taxpayers would benefit if various sources of revenue other than property taxes were utilized to finance education. This would enable school officials to develop long-range plans and operate more efficiently. Needed stability for the management of schools would be provided by a more diverse revenue structure.

Part of the property tax problem stems from property assessment practices over which school districts have no control. Oregon has one of the best property appraisal systems in the nation. It operates on a six-year cycle, however, in which one-sixth of the property is reappraised each year. The taxable wealth of a school district may remain relatively unchanged for a five-year period and be altered significantly during the sixth year. When this happens the effective wealth of the district relative to that of other districts is changed considerably. Since a large amount of state money is distributed on the basis of a district's relative effective wealth, the receipts of individual districts from the state are distributed in a most unpredictable way. The only solution to the problem is to devise a means by which reappraisal can be kept current. A great deal of attention is being paid to the problem by the Department of Revenue and legislative committees.

6. **Need for a comprehensive review of unique problems.** Certain school districts and community colleges face unique problems due to special characteristics of population, urban density, or geographic and other socio-economic factors.

OBJECTIVE

Develop a management approach to education that will provide stimulating and challenging educational opportunities; attract and retain first-rate staff members; develop students who become active and interested participants in the educational process – each one advancing at his own pace – and do this under a fair, equitable, and consistent system of citizen financial support that stretches each education dollar to its maximum.

PROPOSED ACCOMPLISHMENTS

The Board proposes the following accomplishments in fulfillment of its goals for schools and community colleges:

1. Simplify the structure by which education finance operates.
2. Stabilize financing of the education program.
3. Systematize the management of the state's educational system.
4. Stretch the available education dollars.
5. Support identification and use of additional sources of state-level revenue.

PROPOSED ACTIVITIES

1. Simplify the structure by which education finance operates –

a. Develop greater public awareness of the problems of school finance.
b. Develop alternatives to simplify education finance and support all legislation that will achieve a simplified school finance structure in an equitable manner.
c. Encourage consolidation of districts into more meaningful educational and financial entities.
d. Encourage distribution of state and intermediate equalization funds on a coordinated basis and in support of a state-designated educational program.

2. Stabilize the financing of the education program –
   a. Support passage of Ballot Measure 10 in the 1970 General Election to establish a current tax base for each elementary-secondary school district, limit elections, and tie sources of revenue together in order to develop predictability.
   b. Encourage and support efforts to establish a substantial source or sources of revenue for school support in place of the property tax.
   c. Work on the relationship of property reassessment and Basic School Support Fund allocations so that school officials can predict anticipated revenue more accurately.

3. Systematize the management of the state's educational system –
   a. Conduct in-depth management studies in various school districts to develop improved management operating procedures for use in all schools of the state.
   b. Conduct studies on the management needs of school districts and the Board of Education and develop a uniform data base and system to serve the needs of elementary, secondary, and community college education in Oregon.
   c. Further develop the state-level Institute for Educational Engineering that applies a multi-disciplinary approach to developing good practices in the management of education.
   d. Conduct seminars and workshops to train administrators and teachers in educational engineering, developing techniques in systems design and development, management by objectives, staffing, and systems analysis evaluation in educational management.
   e. Develop new approaches to evaluating the instructional and management programs of the schools and community colleges in ways which relate measurable objectives to performance.

4. Stretch the available education dollars –
   a. Work toward continued implementation of the Business Task Force Report and Feasibility Study recommendations in order that maximum efficiency can be achieved in the expenditure of the state's education funds.
   b. Encourage the use of all business practices which will result in the most efficient use of education funds, such as building construction standards, some form of centralized purchasing, transportation, cafeteria operation, and cooperative computer services.

5. Support identification and use of additional sources of state-level revenue –
   a. Work to obtain substantial increases in non-property tax revenue sources for the support of schools.
   b. Encourage the development of a "package" of earmarked revenue sources to provide added state-level support for schools.
   c. Assist in the redrafting of all statutes that will carry out the proposed activities.
   d. Work actively for legislation to increase the state support of elementary and secondary education from the present 22 percent level to no less than 40 percent of current costs.
   e. Urge the Governor to call a Governor's Conference for two or three days in the fall of 1970. Legislators, educators, and lay persons would be invited on a bi-partisan basis to discuss the subject of school finance, its problems, and to recommend non-partisan solutions for possible enactment at the 1971 session of the legislature.

Members of the
OREGON BOARD of EDUCATION

RICHARD DEICH, Chairman
Portland

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Board decisions are carried out by the superintendent of public instruction. He is responsible for general supervision of Oregon elementary and secondary schools and community colleges. Aiding him is a staff of three associate superintendents and their separate divisions, comprising 112 specialists and professionals. Staff function, in turn, is the direct responsibility of the deputy superintendent.

DALE PARNELL,
Superintendent Public Instruction